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**THE IMPACTS OF GLOBAL PETROLEUM POLITICS AND
DISPUTES ON NIGERIA'S OIL AND GAS INDUSTRY
TOWARDS NIGERIA'S ECONOMY**



BASIRUMUSA

UUM
Universiti Utara Malaysia

**DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
2018**

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DISPUTES ON NIGERIA'S OIL AND GAS INDUSTRY
TOWARDS NIGERIA'S ECONOMY**



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**Thesis Submitted to Ghazali Shafie Graduate School of Government,
In Fulfillment of the Requirements for the Degree of Doctor of Philosophy
Universiti Utara Malaysia**



Kolej Undang-Undang, Kerajaan dan Pengajian Antarabangsa
(College of Law, Government and International Studies)
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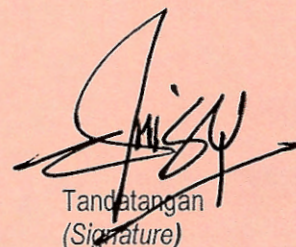
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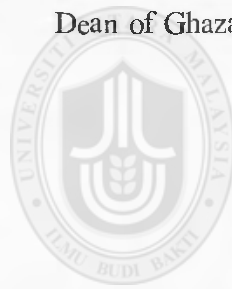

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ABSTRACT

Global petroleum politics and disputes have profound impacts on Nigeria, its citizens and economy as well as onto Nigeria as being a member of the Organisation of the Petroleum Exporting Countries (OPEC). This research focuses on analysing the effects of global petroleum politics and disputes on Nigeria's oil and gas industry and thereafter suggest effective measures that Nigeria could take to minimise them. The main questions asked by this study include, what are the effects of global petroleum politics and disputes on Nigeria's oil and gas industry? Why Nigeria is vulnerable to global oil dynamics? How could Nigeria minimise the impacts of global petroleum politics, dynamics and price crisis? These questions are posted to answer the research objectives, which include, analysing the impacts of global petroleum politics and disputes on Nigeria's oil and gas industry; examining the vulnerability of Nigeria to global oil dynamics and finding out the most cost-effective measures to minimise the effects of global petroleum politics, dynamics and price crisis. The research adopted System Theory by Anatol Rapoport as its major theory, while Conflict Triangle Theory by Johan Galtung as its supporting theory. The research employed qualitative method, using both primary and secondary data. The primary data were obtained through purposive sampling and semi-structured interview from thirty five respondents, while secondary data were obtained from relevant books, journal and e-journal articles. The secondary data were used to strengthen and verify the findings derived from the interviews. The data were thematically analyzed. The research found that the impacts resulted into a devastating economic recession, loss of foreign direct investments, reduced oil production, destruction of social life and weakened Nigerian state. It also found that Nigeria is vulnerable to global oil dynamics because of its overdependence on oil. The study also found that, the most effective measures to overcome this vulnerability is to diversify the Nigerian economy from oil to agriculture and solid minerals. Another measure is the passage of the petroleum industry bill into law.

Keywords: Global Petroleum Politics, Oil and Gas Industry, System Theory

ABSTRAK

Politik dan pertikaian tentang petroleum global memberikan kesan yang mendalam ke atas Nigeria, rakyat dan ekonominya, serta kesan ke atas Nigeria sebagai ahli Pertubuhan Negara-negara Pengeksport Petroleum (OPEC). Tumpuan bagi kajian ini adalah menganalisis kesan politik dan pertikaian petroleum global dalam industri minyak dan gas di Nigeria, dan mencadangkan langkah-langkah berkesan yang boleh diambil oleh Nigeria untuk menangani masalah tersebut. Soalan utama kajian ini termasuk, apakah kesan politik dan pertikaian petroleum global dalam industri minyak dan gas di Nigeria? Mengapakah Nigeria terdedah kepada dinamik minyak global? Bagaimanakah Nigeria meminimalkan impak politik, dinamik dan krisis harga petroleum global? Persoalan ini dikemukakan bagi mencapai objektif kajian dengan menganalisis kesan politik dan pertikaian petroleum global dalam industri minyak dan gas di Nigeria, menyelidik kelemahan Nigeria terhadap dinamik minyak global dan mencari langkah yang paling kos efektif untuk meminimalkan kesan isu politik, dinamik dan krisis harga petroleum global. Kajian ini mengguna pakai Teori Sistem oleh Anatol Rapoport sebagai teori utama, manakala Teori Konflik Segi tiga oleh Johan Galtung sebagai teori sokongannya. Kajian juga turut menggunakan kaedah kualitatif yang merangkumi data primer dan data sekunder. Data primer diperolehi melalui persampelan bertujuan dan temu bual separa berstruktur daripada tiga puluh lima responden yang berkaitan. Data sekunder pula diperolehi melalui buku-buku yang berkaitan, jurnal serta artikel jurnal-e, dan digunakan untuk memperkukuh dan mengesahkan penemuan yang diperolehi daripada temu bual. Analisis tematik digunakan untuk menganalisis data. Hasil kajian mendapati wujud kesan seperti kemelesetan ekonomi yang amat teruk, ketidakstabilan politik, kehilangan pelaburan asing secara langsung, pengurangan pengeluaran minyak dan kemusnahan kehidupan sosial serta melemahkan keupayaan Nigeria. Selain itu, Nigeria juga didapati terdedah kepada dinamik minyak global kerana terlalu bergantung kepada hasil minyak. Kajian ini turut menemui langkah yang paling berkesan untuk diambil iaitu mempelbagaikan ekonomi Nigeria daripada minyak kepada pertanian dan mineral pepejal, serta meluluskan rang undang-undang industri petroleum.

Kata kunci: Politik Petroleum Global, Industri Minyak dan Gas, Teori Sistem

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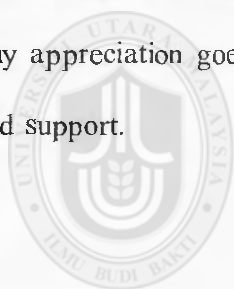
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DEDICATION

I dedicate this PhD Degree to the Almighty Allah and my ever caring, responsible, responsive and supportive parents in persons of Alhaji Musa Abdulkarim and Hajiya Kuluwa (Hauwa) Musa Abdulkarim.



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LIST OF ABBREVIATIONS

OPEC	Organisation of the Petroleum Exporting Countries
OFID	OPEC Fund for International Development
IOCs	International Oil Companies
FGN	Federal Government of Nigeria
NNOC	Nigerian National Oil Company
NNPC	Nigerian National Petroleum Corporation
PEF	Petroleum Equalisation Fund
PIB	Petroleum Industry Bill
PTDF	Petroleum Technology Development Fund
PPPRA	Petroleum Products Pricing Regulatory Agency
DPR	Department of Petroleum Resources
PENGASSAN	Petroleum and Natural Gas Senior Staff Association of Nigeria
NUPENG	National Union of Petroleum and Natural Gas
IPMAN	Independent Marketers Association of Nigeria

KRPC	Kaduna Refining and Petrochemical Company Limited
BD	Barrels per Day
MBD	Million Barrels per Days



CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter discussed the central issues and underpinning scholarly arguments necessary for the conduct of the research. These included, the background to the study, evolution and history of Nigeria's oil and gas industry, problem statement, research questions, research objectives, research scope, operational definition of concepts, research methodology and its components, chapterisation and conclusion.

1.2 Background to the Study

Global petroleum politics plays a great deal of role in shaping the oil fortunes of states. This could be both positive and negative, meaning if the states and oil stakeholders play the politics rightly, they would gain, increasing their profit margins, but if the reverse turns out to be the case, it could result in the diminution of their profits and chances in the global oil game. Nigeria's Oil and Gas Industry is a strategically important industry in Nigeria, as it is the industry that supports and gives the needed life to the entire Nigerian economy and its contribution to it is more than 90% (Onuegbu, 2015) and any disruption in the oil and gas industry whether from the global oil dynamics and politics or from Nigerian territory would most likely have devastating effects on Nigeria and the Nigerian economy.

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APPENDIX I

DEMOGRAPHIC PROFILE OF RESPONDENTS

The demographic profile of the thirty five (35) interviewed respondents is as follows:

S/N	Respo ndent	Gender	Age	Marita l Status	Educati onal Qualific ation	Workin g Experie nce	Rank	Place of Intervie wand Date
1	1	Male	45	Married	Masters	20 years	Senior NNPC Official	NNPC Towers, Abuja. 24 th August, 2016.
2	2	Male	55	Married	Masters	26 years	Senior NNPC Official	KRPC, Kaduna. 23 rd August, 2016.



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3	3	Male	65	Married	Ph.D.	34 years	Senior Policy Maker.	Office of Senator Danjuma T. Laah, National Assembl y Complex , Abuja. 24 th August, 2016.
4	4	Male	30	Single	Degree	4 years	PPPRA Official	KRPC, Kaduna. 23 rd August, 2016.
5	5	Male	32	Married	Degree	6 years	DPR Official	KRPC, Kaduna. 23 rd August,

6	6	Male	50	Married	Masters	22 years	PENGA SSAN/N UPENG Official	KRPC, Kaduna. 23 rd August,
7	7	Male	30	Married	Degree	3 years	IPMAN Official	KRPC, Kaduna. 23 rd August,
8	8	Male	40	Married	Masters	13 years	Independ ent Marketer	Abuja. 29 th August, 2016.
9	9	Male	45	Married	Degree	15 years	Independ ent Marketer	Abuja. 29 th August, 2016.
10	10	Male	30	Single	Degree	6 years	Marketer	Abuja. 5 th Septemb er, 2016.



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11	11	Male	32	Married	Degree	7 years	Marketer	Abuja. 5 th Septemb er, 2016.
12	12	Female	27	Single	Degree	3 years	Public Member	Abuja. 7 th Septe mber, 2016.
13	13	Male	25	Single	Degree	2 years	Public Member	Abuja. 7 th Septemb er, 2016.
14	14	Female	50	Married	Masters	20 years	Public Member	Abuja. 7 th Septemb er, 2016.
15	15	Male	30	Married	Degree	4 years	Public Member	Abuja. 7 th Septemb er, 2016.

16	16	Male	52	Married	Masters	25 years	Public Member	Abuja. 7 th Septemb er, 2016.
17	17	Female	42	Married	Degree	14 years	Public Member	Abuja. 9 th Septemb er, 2016.
18	18	Female	33	Married	Degree	8 years	Public Member	Abuja. 9 th Septemb er, 2016.
19	19	Male	40	Married	Degree	12 years	Public Member	Abuja. 9 th Septemb er, 2016.
20	20	Male	45	Married	Masters	15 years	Public Member	Abuja. 9 th Septemb er, 2016.



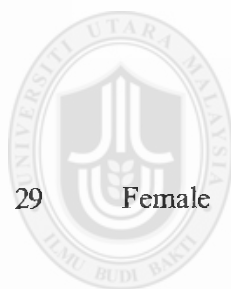
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21	21	Male	50	Married	Degree	17 years	Public Member	Abuja. 9 th Septemb er, 2016.
22	22	Female	43	Married	Masters	14 years	Public Member	Abuja. 14 th Septemb er, 2016.
23	23	Male	35	Married	Degree	8 years	Public Member	Abuja. 14 th Septe mber, 2016.
24	24	Male	30	Single	Degree	4 years	Public Member	Abuja. 14 th Septemb er, 2016.
25	25	Male	55	Married	Degree	20 years	Public Member	Abuja. 14 th Septemb er, 2016.



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26	26	Male	42	Married	Degree	11 years	Public Member	Abuja. 14 th Septemb er, 2016.
27	27	Male	38	Married	Degree	10 years	Public Member	Abuja. 19 th Septemb er, 2016.
28	28	Female	50	Married	Degree	14 years	Public Member	Abuja. 19 th Septemb er, 2016.
29	29	Female	44	Married	Degree	12 years	Public Member	Abuja. 19 th Septemb er, 2016.
30	30	Female	37	Married	Degree	9 years	Public Member	Abuja. 19 th Septemb er, 2016.



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31	31	Male	46	Married	Degree	13 years	Public Member	Abuja. 19 th Septemb er, 2016.
32	32	Male	41	Married	Degree	11 years	Public Member	Abuja. 21 st Septemb er, 2016.
33	33	Male	40	Married	Degree	9 years	Public Member	Abuja. 21 st Septemb er, 2016.
34	34	Female	38	Married	Degree	8 years	Public Member	Abuja. 21 st Septe mber, 2016.
35	35	Male	48	Married	Degree	12 years	Public Member	Abuja. 21 st Septemb er, 2016.

APPENDIX II

SOME OF THE INTERVIEW QUESTIONS AND RESPONDENTS' RESPONSES

Respondent (1)

Gender: Male

Age: 45

Marital Status: Married

Educational Qualification: Masters

Working Experience: 20 years

Occupation/Rank: Senior NNPC official, NNPC Towers, Abuja, Nigeria.

1. What are the effects of global petroleum politics and disputes on Nigeria's oil and gas industry?

In his response, He said that the oil industry was a global business and as such, whatever that affects the global energy market will definitely affect Nigeria and its oil and gas industry, since it is part of the global energy family. As such, the current shale oil development by the United States of America, harmful Middle-East geopolitics, especially between Saudi Arabia and Iran, Emerging oil markets and a slowing global economy contributed to a large extent towards causing the current global oil glut or oversupply, which resulted in the dramatic collapse of the price of crude oil with so many attendant effects on the oil producing states, such as Nigeria, which is currently battling a devastating economic recession, foreign exchange crisis and heightened social and political instability.

2. Why is Nigeria vulnerable to global oil dynamics?

Under this, he said Nigeria was vulnerable to global oil dynamics because it is one country that depends almost solely (98%) on oil alone. For this, any shake in the global oil system or fall in the price regime will have serious or even catastrophic impacts on Nigeria, as it is currently facing now.

3. What particular and unique measures could Nigeria undertake to reduce its vulnerability to global oil dynamics and politics?

First, he said Nigeria should improve investments in upstream oil exploration by diversifying the base of crude oil to gas, that is at the global level.

Secondly, the Federal Government of Nigeria should strengthen the downstream operations in refining and marketing.

Thirdly, it should improve on its fiscal regime and project or contracting cycles, so that it can get value for its investments.

At a macro level, Nigeria should diversify the economy from oil to agriculture and solid minerals.

4. What are the economic, social and political effects of the collapse of crude oil price on Nigeria?

He said obviously, the collapse of global crude oil price had virtually affected every aspect of Nigeria's national life, as governments at all levels cannot currently deliver and masses are left suffering, as the economy is currently in recession, social life is destroyed, crime rate has increased, cost of living has skyrocketed because galloping inflation, unemployment and poverty rates have also gone up.

5. In what particular ways, has the collapse of global oil price affected Nigeria's oil and gas industry?

He mentioned the following in his response to the above question:

- I. It has discouraged investments in Nigeria's oil and gas industry, as no one wants to invest in upstream exploration and production in a low oil price regime.
- II. The industry no longer supports Nigeria with enough cash to service its budget and achieve its fiscal and monetary policies. This means there is disruption in public funding.
- III. There is manifest or evident dislocation in Nigeria's oil and gas industry.
- IV. There is a threat of industrial disharmony arising from likely downsizing or disengagement of oil workers.
- V. The private sector is not stimulated because of cash crunch, as there is the general negative effect of slow economic activity/recession.

6. How could Nigeria resolve the current oil price crisis?

According to him, the way is for Nigeria to strengthen its mechanisms of effective collaboration and cooperation among oil producers and consumers.

7. What role could Nigeria play in mobilizing and persuading other members of OPEC to cut production and prop up global oil demand and price?

Naturally, he said, Nigeria should strengthen its membership of OPEC and cooperation with member states. It can also leverage on the leadership position it holds currently at OPEC, as the current Secretary General, Muhammad Sanusi Barkindo is from Nigeria and versed in global petroleum politics.

The above assertion was given a boost, as Nigeria's President, Muhammadu Buhari, GCFR recently visited Saudi Arabia and Qatar in order to find a way out of the oil price conundrum, politics and crisis.

8. Could the passage of Petroleum Industry Bill (PIB) help at this material time?

He answered this by lucidly stating that the Petroleum Industry Bill (PIB) is an executive bill of the Federal Republic of Nigeria that is intended to provide a clear framework to derive optimum value for Nigeria in the use and exploitation of this natural resource (petroleum or oil). It also provides legal, fiscal, social and administrative dimensions on how the oil and gas industry is to be run.

Yes, the passage could be helpful because of the following:

- i. A framework backed by law will give investors clarity on how they can invest in Nigeria's oil and Gas industry and get a fair return.
- ii. It will give investors some level of certainty and direction on their long-term investments. So, it will attract investments, which could power the Nigerian economy.
- iii. With investments, there would be more opportunities for Nigerians, as jobs would be created and Nigerians would better understand how the oil and gas industry is run.
- iv. It will generate improved revenue for the Federal Government upon review of the fiscal system (taxation and royalties).
- v. It will provide a clear understanding of how communities in oil producing areas will be catered for in the context of sustainable development. And with sustainable development, it would forestall the crisis in the Niger Delta, hence putting a stop to the incessant attacks on oil installations and disruption of crude oil production, refining and export.
- vi. It will give Nigeria a global rating because it now has a law that governs its oil and gas operations and business.
- vii. It will encourage indigenous participation that is the local content development.

Respondent (2)

Gender: Male

Age: 55

Marital Status: Married

Educational Qualification: Masters

Working Experience: 26 years

Occupation/Rank: Senior NNPC official, KRPC, Kaduna.

1. What are the effects of global petroleum politics and disputes on Nigeria's oil and gas industry?

He said the weaker OPEC members could not raise the price of crude oil and this brings a dwindling economy, which they currently suffer from, Nigeria inclusive. And for this politics, Nigeria being a weaker economy, with its low quota cannot control the situation.

2. Why is Nigeria vulnerable to global oil dynamics?

He said the major thing, why Nigeria is vulnerable was because petroleum contributes 98% to Nigeria. He sees Nigeria as a mono economy. And for this, whenever there is a collapse of oil prices or any shock in the global oil market, Nigeria suffers a lot.

3. What particular and unique measures could Nigeria undertake to reduce its vulnerability to global oil dynamics and politics?

He mentioned the following:

- i) Nigeria should look inwards and diversify its economy.
- ii) Nigeria should make its position known in global petroleum politics.
- iii) Nigeria should understand and be highly educated in global oil politics, especially between Saudi Arabia and USA to the extent that she understands better than any member state of OPEC.

- iv) Nigeria should learn to build bridges with those that are not member states of OPEC. For example, USA and Russia.
- v) Nigeria should invest heavily in research to create alternative sources of energy and income.

4. What are the economic, social and political effects of the collapse of crude oil price on Nigeria?

On the economic front, he said the economic recession has befallen us, as Nigeria currently suffers from cash squeeze and has brought a distressed economy with many negative consequences. Similarly, foreign exchange crisis is currently suffocating the economy, people and chasing away foreign investors.

Socially, there is no employment. Social activities are generally paralysed and unemployment and poverty rates have increased tremendously. Hunger is killing many daily. The crime rate has also increased.

Politically, there is no order in place and democracy is seriously being undermined, as Nigerian leaders are becoming increasingly inefficient, corrupt and improvident. The arms of government are not delivering in terms of performing their statutory functions of law making (Legislature), law implementation or enforcement (Executive) and law interpretation/construction (Judiciary).

The Nigerian state seems more of a failure given the myriad of problems confronting it, for example, general insecurity, insurgency, militancy, armed robbery, kidnappings, corruption and skyrocketing youth unemployment, poverty and hunger.

5. In what particular ways, has the collapse of global oil price affected Nigeria's oil and gas industry?

He stated the following:

- i) Reduced oil production due to the fall and increased militant attacks on oil installations in the Niger Delta.
- ii) Loss of Foreign Direct Investments (FDI), as International Oil Companies are leaving Nigeria.
- iii) The industry practically bleeds and by extension, Nigeria, its economy and people, because Nigeria depends on what the industry provides.

6. How could Nigeria resolve the current oil price crisis?

First, He said Nigeria had done the first step by mobilizing and persuading other member states of OPEC in electing a Nigerian as the Secretary General of OPEC, Muhammad Sanusi Barkindo.

Secondly, Nigeria should try to get other member states of the cartel convinced to build bridges with those that are not members, such as USA, Russia and China. In this regard, Nigeria should identify and align with their interests.

7. What role could Nigeria play in mobilizing and persuading other members of OPEC to cut production and prop up global oil demand and price?

Under this, he said, Nigeria should play a sound diplomatic role and share the interests of the major oil producers in OPEC, especially Saudi Arabia so as to cut production and raise global oil demand and price and then increased income. Nigeria should also take advantage of its current leadership position at OPEC to achieve this.

8. Could the passage of Petroleum Industry Bill (PIB) help at this material time?

He said the petroleum industry bill consisted of three (3) major things as follows:

- i) Legal framework.
- ii) Institutional framework.
- iii) Administrative framework.

He argued that the above were not currently in place in the Nigeria's oil and gas industry with so many attendant implications. There are no order and regulation. The delay in the passage and final assent of and to the bill is partly caused by the interests of International Oil Companies (IOCs), such as Chevron, Shell, Total, and British Petroleum (BP) and so on and partly by other vested interests in Nigerian government and also by the nature of Nigerian politics itself.

Yes, it would help; if all those things are structured and the vested interests balanced or brushed aside.

Respondent (3)

Gender: Male

Age: 65

Marital Status: Married

Educational Qualification: PhD

Working Experience: 34 years

Occupation/Rank: Senior Legislative Aide to Senator Danjuma T. Laah, National Assembly, Abuja.

1. What are the effects of global petroleum politics and disputes on Nigeria's oil and gas industry?

He responded to the above question by saying that, looking at it from the OPEC monopoly and the fact that Nigeria is a member of the cartel. So, whatever that happens, it affects Nigeria. Currently, there is a fall in oil price because of the oil glut caused by members and non members of OPEC, such as USA, Russia and so on. This means that the higher the glut, the lesser the fortunes derivable from the global oil market.

Disputes are also there because of the struggle to access the market and the struggle to distribute and to have market share. Some non OPEC members have military, technological and economic supremacy or power to access the global oil market and this has put them at loggerheads with core OPEC members.

Global petroleum politics and disputes affect Nigeria because it is currently finding it difficult to sell its crude oil, because of the overflow and snatching of oil buyers by others. Dissidence is on the rise, youth restiveness is also up, arising from unemployment and also the pressures coming from the Middle-East and those countries close it, such as Libya, Egypt, Algeria and so on. The Persian Gulf is seen as the oil tank of the world. Migration is also on the increase because of the dwindling economic fortunes.

2. Why is Nigeria vulnerable to global oil dynamics?

Nigeria is vulnerable because it is not operating in isolation, as it is part of the global system. And with this, the state needs to do more by putting in place certain techniques to get out of the problem. The dynamics of the global oil business are also affecting

us. There are many contestants coming into the market, as such Nigeria is losing markets, hence losing income.

3. What particular and unique measures could Nigeria undertake to reduce its vulnerability to global oil dynamics and politics?

Nigeria has no other option than to truly diversify its economy. Secondly, it has to engage in human resource development, as many countries do not even have oil, yet they are surviving and doing well. Train the needed manpower and engage in international trade in the areas of Information and Communications Technology (ICT), agriculture, manufacturing and so on.

4. What are the economic, social and political effects of the collapse of crude oil price on Nigeria?

Economically, socially and politically, Nigeria and Nigerians suffer from low revenue earnings, general economic meltdown as well as hyper inflation, industrial collapse, unemployment and increasing abject poverty.

There is a general social dislocation. Production capacity is low, serious humanitarian crisis and suffering.

Other effects are Insecurity, political upheavals, political instability, ethno-religious and transitional conflicts.

Fall in oil price at the global level compelled the Nigerian state to increase the price of petrol, which has resulted in severe hardship.

5. In what particular ways, has the collapse of global oil price affected Nigeria's oil and gas industry?

The oil and gas industry's capacity to produce is reduced. In other words, Nigeria's output to the world market is low.

Nigeria's oil and gas industry is not able to expand, for example, it has not been able to build more refineries, as refined oil is still being imported to meet domestic needs, at times the crude oil being exported is swapped for this purpose. What a paradox?

6. How could Nigeria resolve the current oil price crisis?

Nigeria should capitalise on the leadership position it holds currently at OPEC. Nigeria should also see its overdependence on oil as dangerous and quickly diversify the economy through agriculture, solid minerals, human resource development and stabilisation of the polity that is creating peace through inclusive governance.

7. What role could Nigeria play in mobilizing and persuading other members of OPEC to cut production and prop up global oil demand and price?

Nigeria should take advantage of the leadership position it holds currently at OPEC to achieve this.

8. Could the passage of Petroleum Industry Bill (PIB) help at this material time?

Since the Petroleum Industry Bill (PIB) is a regulatory framework expected to ensure proper management, control and utilization of the oil and gas industry, then it is good, especially as regards exploration and exploitation of oil.

It also seeks to prevent environmental damage and strengthen Corporate Social Responsibility (CSR) on the part of the multinational oil companies and the Federal Government of Nigeria.



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APPENDIX III

PETROLEUM INDUSTRY BILL (PIB) 2008: SOME KEY ASPECTS OF THE LEGAL DRAFT

1.1 Fundamental Objectives

Vesting of petroleum and natural gas

1. Property and sovereign ownership of petroleum within Nigeria, its territorial waters, the continental shelf, the Exclusive Economic Zone and the extended continental shelf shall vest in the sovereign state of Nigeria for and on behalf of the people of Nigeria (PIB, 2008).

Allocation of Acreage

2. Any company qualified under the terms and conditions prescribed from time to time by the relevant Institutions shall be free to apply for the grant or award of a license, lease or contract, as the case may be, for the exploration and production of petroleum (PIB, 2008).

Management of Petroleum Resources

3. (1) The management and allocation of petroleum resources and their derivatives in Nigeria shall be conducted strictly in accordance with the principles of good governance, transparency and sustainable development of Nigeria.

(2) Subject to subsection (1) of this section, the main criterion for the management of petroleum resources, shall be the total benefits that will accrue to the sovereign state of Nigeria (PIB, 2008).

Government Participation

4. (1) The Minister shall grant licences and leases on the recommendation of the Directors General of the Institutions and in accordance with guidelines, impose special terms and conditions that are not inconsistent with the provisions of this Act on any licence or lease to which this Act applies, including terms and conditions as to: (a) participation by the Federal Government in the venture to which the licence or lease relates, on terms to be negotiated between the Minister and the applicant for the licence or lease; and (b) exploitation of any natural gas discovered.

(2) Subsection (1) of this section shall not apply to any indigenous company operating in the upstream sector whose aggregate production is less than or equal to fifty thousand barrels per day of crude oil or natural gas equivalent

5. In achieving their functions and objectives under this Act, the Institutions and the National Oil Company shall be guided by the principles of the Nigerian Extractive Industries Transparency Initiative Act of 2007 (PIB, 2008).

Environment and Air Quality Emissions

6. (1) The Federal Government shall, to the extent practicable, honour international environmental obligations and shall promote energy efficiency, the provision of

reliable energy, and a taxation policy that encourages fuel efficiency by producers and consumers.

(2) In accordance with the provisions of subsection (1) of this section, the Federal Government shall introduce and enforce integrated health, safety and environmental quality management systems with specific quality, effluent and emission targets for oil and gas related pollutants, without regard for fuel type such as gas, liquid or solid, in order to ensure compliance with international standards (PIB, 2008).

Community Development

7. The Federal Government shall, in co-operation with the state and local governments and communities, encourage and ensure the peace and development of the petroleum producing areas of the Federation through the implementation of specific projects aimed at ameliorating the negative impacts of petroleum activities (PIB, 2008).

Nigerian Content

8. (1) The Federal Government shall at all times promote the involvement of indigenous companies and manpower and the use of locally produced goods and services in all areas of the petroleum industry in accordance with existing laws and policies.

(2) Where any contract for work or services is considered to be within the capabilities of Nigerian companies, in accordance with any law relating to Nigerian content, the tender list shall be restricted to Nigerian companies.

(3) All companies involved in any area of the upstream or downstream petroleum industry shall, as a condition of their licence, lease, contract or permit, as the case may be, comply with the terms and conditions of any law relating to the Nigerian content law in force at the time.

(4) Failure to comply with the terms of any local content law as determined by the inspectorate shall be a ground for revocation of a licence, lease, contract or permit that may have been previously granted to the company that failed to comply with the said terms (PIB, 2008).

1.2 Establishment of the Nigerian Petroleum Inspectorate

37. (1) There is established by this Act the Nigerian Petroleum Inspectorate ("the Inspectorate") which shall be a body corporate with perpetual succession and a common seal.

(2) The Inspectorate shall have power to acquire, hold and dispose of property, sue and be sued in its own name and subject to this Act, perform all acts that corporate bodies may perform by law.

(3) The Inspectorate shall be the successor to the assets and liabilities of the Petroleum Inspectorate of the Nigerian National Petroleum Corporation and the Department of Petroleum Resources of the Ministry of Petroleum Resources (PIB, 2008).

Objects of the Inspectorate

38. The objects of the Inspectorate shall be to:

- (a) ensure the efficient, safe, effective and sustainable infrastructural development of all sectors of the petroleum industry;
- (b) promote the healthy, safe and efficient conduct of all operations in all sectors of the petroleum industry in an environmentally acceptable manner;
- (c) organise and regulate the technical activities of the Nigerian petroleum industry;
- (d) ensure the efficient development of the transportation and distribution network infrastructure for downstream gas and downstream products;
- (e) ensure the maintenance of standards and specifications which apply to the upstream petroleum industry (PIB, 2008).

Functions of the Inspectorate

39. The functions of the Inspectorate shall be to:

- a) enforce and administer policies, laws and regulations relating to technical aspects of petroleum industry operations;
- b) ensure and enforce compliance with the terms and conditions of all licences and leases issued in respect of the exploration and production of petroleum in Nigeria;
- (c) ensure and enforce the compliance of all permits issued by the Inspectorate
- (d) enforce approved regulations and standards relating to operations of the upstream petroleum sector, including oil and gas evaluation and management, upstream gas gathering, gas treatment and processing and flares elimination;
- (e) at all times keep a register of all licences and leases issued by the Inspectorate and any renewals, amendments, suspensions or revocations thereof;

- (f) carry out enquiries, tests, audits or investigations and take such other steps as may be necessary to monitor the activities of licencees or lessees and to secure and enforce compliance with licence or lease terms and conditions;
- (g) set and establish standards relating to technical aspects of the petroleum industry, including environmental standards, which shall be established in collaboration with the Federal Ministry of Environment or any other relevant agency;
- (h) ensure adherence of all operators and companies involved in any operations pertaining to the petroleum industry to environmental standards that may be established by the government;
- (i) establish, monitor and regulate safety measures relating to the management of petroleum reserves and installations as well as exploration, development and production activities within the onshore and offshore territory of Nigeria, including the Exclusive Economic Zone, where applicable;
- (j) undertake evaluation of national reserves and reservoir management studies;
- (k) administer all licences and leases in the upstream petroleum industry that may be granted by the Minister to any company, in accordance with prescribed terms;
- (l) conduct regular audits of the operations of operators and companies engaged in all aspects relating to exploration, production and development of crude oil and natural gas, including oil service companies, in order to ensure compliance with Nigerian Content requirements;
- (m) maintain a petroleum industry data bank comprising all data acquired by or given to the Inspectorate in the exercise of its statutory functions;

- (n) compute, determine, assess and ensure payment of royalties, rentals, fees, and other charges as stipulated in this Act and any regulations made hereunder;
- (o) establish, monitor and regulate technical, health, environmental and safety measures relating to the management of downstream assets, including but not limited to refineries, petrochemical plants, petroleum depots and pipelines, and downstream gas plants;
- (p) supervise and ensure accurate calibration and certification of equipment used for fiscal measures in the industry;
- (q) monitor and specify technical and safety controls on wholesale marketing, retail marketing, and bunkering of petroleum products;
- (r) inspect the metering of pumps and any other facilities at downstream retail outlets to ensure compliance with safety standards as prescribed by the Inspectorate;
- (s) publish reports and statistics on activities in the Nigerian petroleum industry and related matters that may be required, in the interests of the growth of the industry;
- (t) advise the Minister on fiscal and other issues to enhance the operations of the petroleum sector and improve the benefits to Government from the sector;
- (u) issue Clean Certificates of Inspection at the oil terminals to exporters of crude oil, natural gas, liquefied natural gas and all petroleum products, upon satisfaction that the requirements as to quality, quantity and price have been complied with;
- (v) issue permits, licences and any other authorisations necessary for all technical activities connected with:
 - i. petroleum exploration and production;

- ii. downstream gas;
- iii. downstream products;
- iv. refining;
- v. storage;
- vi. retail outlets;
- vii. transportation;
- viii. distribution;
- ix. processing of petroleum products for import and export;
- x. design and construction of all facilities including those for gas and petrochemicals, and for the processing of petroleum and its derivatives;
- (w) to monitor and ensure the quality and process of conversion or blending of whatever material by whatever method to fuels, bio-fuels or derivatives for automotive use in Nigeria;
- (x) set standards for the design, procurement, construction, operation and maintenance of all plants installations and facilities that pertain to the petroleum industry;
- (y) establish special laboratories with capabilities for data storage and testing, quality assurance and certification of crude oil, gas and petroleum products and their derivatives, whether for the domestic market or for export;
- (z) perform technical evaluation and reviews required to evaluate and decide on submissions made to the Inspectorate by petroleum industry operators;

- (aa) keep records, data and reports obtained and classifying such records, data or reports as may be required under any statute and giving any directive to any person, company or entity in respect thereof;
- (ab) ensure the promotion of the safe, orderly and optimal development of the petroleum industry in the overall interest of the people of Nigeria;
- (ac) undertake by itself or through qualified expertise any of the foregoing and such other activities as are necessary or expedient for giving full effect to the stated provisions (PIB, 2008).

Powers of the Inspectorate

40. The Inspectorate shall have power to:

- (a) enforce the provisions of:
 - (i) this Chapter and any regulations made thereunder;
 - (ii) any enactments prescribing activities of the petroleum industry made prior to this Chapter and any regulations made in pursuance of powers given under them; and
 - (iii) any technical regulations referring to, or formerly administered by the Department of Petroleum Resources of the Ministry of Petroleum Resources or the former Petroleum Inspectorate of the Nigerian National Petroleum Corporation.
- (b) order the sealing up of any premises whatsoever, including any facility or plant for the transporting, processing, manufacturing, storing, dispensing, distributing or sale of crude oil, gas, petroleum products or its derivatives, where there has been a contravention of this Act or any other related law;

- (c) in respect of the petroleum industry and as and when necessary, issue technical guidelines on the generation, use, storage and transportation of radioactive sources and materials, in line with directives from the Nigerian Nuclear Regulatory Authority;
- (d) set standards and enforce the application of new technologies in the petroleum industry;
- (e) do such other things as are necessary and expedient for the effective and full discharge of any of its functions under this Part (PIB, 2008).

Governing Board

41. (1) There is established for the Inspectorate a Governing Board ("the Governing Board"), which shall consist of:

- (a) a Chairman to be appointed by the President;
- (b) one representative of the Nigerian Petroleum Directorate not below the rank of a Director;
- (c) one representative of the Petroleum Products Regulatory Authority;
- (d) one representative of Petroleum and Natural Gas Senior Staff Association of Nigeria;
- (e) five persons to be appointed by the President on the recommendation of the Minister being persons who by reason of their ability, experience and specialized knowledge of the petroleum industry are capable of making useful contributions to the work of the Inspectorate;

(f) three Directors who are full time staff of the Inspectorate, to be appointed to the Board by the President; and

(g) the Director-General of the Inspectorate.

(2) The persons appointed pursuant to paragraphs (a) (e) and (f) of subsection 1 of this section shall hold their membership of the Inspectorate for four years subject to reappointment for another period of four years only on such terms and conditions as may be specified in their letters of appointment.

(3) Appointments to the Board shall be part- time.

(4) The proceedings of the Board of the Inspectorate and other ancillary matters shall be regulated by the second schedule to this Act (PIB, 2008).

Functions of the Governing Board

42. The Governing Board shall ensure that the Inspectorate performs its statutory functions as contained in this Act (PIB, 2008).

The Director General

43. (1) There shall be an officer of the Inspectorate to be known as the Director-General, who shall be appointed by the President.

(2) The Director-General shall be a person with cognate experience.

(3) The Director-General shall be the chief executive and accounting officer of the Inspectorate and shall be responsible for running the day-to-day affairs of the Inspectorate.

(4) The Director-General shall have the status of a permanent secretary of the civil service of the Federal Republic of Nigeria.

(5) The Director-General shall perform such functions as the Board may determine (PIB, 2008).

Tenure, Remuneration and Conditions of Service of the Director General

44. (1) The Director General shall hold office for five years in the first instance with the possibility of renewal for another period of five years only, and on such terms and conditions as may be specified in his or her letter of appointment.

(2) The remuneration and conditions of service of the Director General shall be at a level sufficient to attract qualified professionals within the oil industry (PIB, 2008).

Disqualification

45. No person shall be appointed as Director- General or member of the Governing Board unless he or she:

(a) is a Nigerian citizen;

(b) has not, in terms of the laws in force in any country:

i) been adjudged or declared bankrupt or insolvent; or

- ii) made an assignment to, or arrangement or composition with his creditors which has not been rescinded or set aside;
 - iii) been declared to be of unsound mind;
 - iv) been convicted of an offence involving fraud or dishonesty;
 - v) been disqualified by a competent authority from carrying out any assignment, responsibility or function in his or her professional capacity.
- (c) has not been disqualified by the Securities Exchange Commission from holding a board appointment in any public company (PIB, 2008).

Vacation of Office and Termination

46. The office of the Director -General or member of the Governing Board shall become vacant:

- (a) three months after giving notice in writing to the President of his or her resignation;
 - (b) if he or she becomes disqualified under the provisions of Section 45 of this chapter;
- and
- (c) on the expiration of his or her appointment.

47. The President shall require the Director General or member of the Governing Board to vacate his or her office if he or she:

- (a) has committed an act of gross misconduct;
- (b) has failed to comply with the terms and conditions of his or her office as fixed by this Act;

(c) suffers from any mental, physical or legal disability which renders him or her incapable of executing his or her duties efficiently as a member;

48. Upon the vacancy of a member's office, the President shall appoint a candidate to fill the vacancy in accordance with the terms of section 41 of this Act (PIB, 2008).

Remuneration of Members of the Board

49. (1) Members shall be paid from the funds of the Inspectorate:

- (a) such remuneration as the Board may from time to time determine, in accordance with the guidelines of the federal government; and
- (b) any such allowances as the Board may determine from time to time to meet any reasonable expenses incurred by such members in connection with the business of the Inspectorate.

(2) While making such determinations, the Inspectorate shall have due regard to:

- (a) the specialised nature of the work to be performed by the Inspectorate;
- (b) the need to ensure the financial self-sufficiency of the members; and
- (c) allowances paid in the private sector to board members with equivalent responsibilities, expertise and skills (PIB, 2008).

Secretary

50. (1) The Inspectorate shall appoint a Secretary who shall keep the corporate records and the common seal of the Inspectorate and undertake such other functions as the Director General and the Inspectorate may from time to time direct.

(2) The Secretary shall be a lawyer with a minimum of 10 years post qualification experience (PIB, 2008).

Other staff

51. (1) The Inspectorate may, from time to time, appoint such professionals experienced in the petroleum industry and other persons as staff of the Inspectorate to assist it in the performance of its functions under this Act.

(2) Staff of the Inspectorate appointed under subsection (1) of this section shall be appointed on such terms and conditions as the Inspectorate may prescribe.

(3) Staff of the Inspectorate shall be public officers as defined in the Constitution of the Federal Republic of Nigeria 1999.

(4) For the purpose of this section, appointment shall include secondment, transfer and contract appointments (PIB, 2008).

Remuneration

52. The remuneration, tenure and conditions of service of the staff of the Inspectorate shall be at a level sufficient to attract qualified professionals within the petroleum industry and shall take into account:

- (a) The specialized nature of the work to be performed by the staff;
- (b) the need to ensure financial sufficiency of the Inspectorate; and
- (c) the salaries paid in the private sector to individuals with equivalent responsibilities, expertise and skills (PIB, 2008).

Pensions

53. (1) Service in the Inspectorate shall be approved service for the purpose of the Pensions Reform Act Cap. P4 Laws of the Federation of Nigeria 2004 and accordingly, officers and other persons employed in the Inspectorate shall be entitled to pensions and other benefits as prescribed in the Pensions Reform Act Cap. P4 Laws of the Federation of Nigeria 2004.

(2) Subsection (1) of this section shall not prohibit the Inspectorate from appointing a person to any office on terms that preclude the grant of a pension or other retirement benefits in respect of that office.

(3) In the application of the Pensions Reform Act Cap. P4 Laws of the Federation of Nigeria 2004 to the Inspectorate, any power exercisable under the Act by a Minister or other authority of the Government of the Federation, other than the power to make regulations is hereby vested in and shall be exercisable by the Inspectorate and not by any other person or authority.

(4) Subject to the Pensions Reform Act Cap. P4 Laws of the Federation of Nigeria 2004 and notwithstanding the provisions of this section, the Inspectorate shall continue to fulfil all obligations in respect of pensions schemes to which the Petroleum Inspectorate of the Nigerian National Petroleum Corporation or the Department of Petroleum Resources of the Ministry of Petroleum Resources was obliged in respect of its employees, prior to the transfer of assets to the Inspectorate (PIB, 2008).

Financial Provisions of the Inspectorate

54. (1) The Inspectorate shall, not later than September in each year, present to the Minister, a budget showing the expected income and expenditure which the Inspectorate proposes to expend in respect of the succeeding financial year insofar as the amount so budgeted does not exceed the total amount accruable to the Inspectorate from its sources of funding in any financial year.

(2) The Inspectorate may during a financial year prepare and present to the Minister, a supplementary budget relating to expenditures which were inadequately represented in the annual budget due to unforeseen circumstances.

(3) The Inspectorate may vary a budget prepared under this section, insofar as such variation does not increase the total amount of the expenditure provided for in the original budget.

(4) The financial year of the Inspectorate shall be for a period of twelve calendar months commencing on the 1st of January in each year (PIB, 2008).

Funding

55. (1) The Inspectorate shall establish and maintain a fund which shall consist of:

(a) such monies as may be appropriated to the Inspectorate from time to time by the National Assembly for the purposes of this Act;

(b) a portion of fiscalised crude oil and fiscalised natural gas, to be paid to the Inspectorate from the Directorate in accordance with the budget of the Inspectorate and the provisions of section 28 of this Act;

(c) penalties and charges that the Minister may approve to be imposed from time to time on petroleum producers as well as contractors and other companies operating in the petroleum industry;

(d) fees paid in respect of services performed by the Inspectorate as contained in regulations made by the Minister on the recommendation of the Inspectorate;

(e) income received from publications produced by the Inspectorate;

(f) fees for reviews of environmental impact assessment reports and environmental evaluation reports and other related activities;

(g) fees for services rendered to non-petroleum producing companies and service companies and for other services performed generally;

(h) such money as may be received by the Inspectorate either in the course of its operations, in relation to the exercise of its powers and functions under this Act or in respect of any property vested in the Inspectorate.

(2) The Inspectorate shall apply the proceeds of the fund established pursuant to subsection (1) of this section:

(a) to meet the administrative and operating costs of the Inspectorate;

(b) to the payment of:

i) salaries;

ii) fees or other remunerations or allowances; and

iii) pensions and other retirement benefits payable to members of the Inspectorate or its employees;

(c) for the maintenance of property acquired by, or vested in the Inspectorate;

- (d) for purposes of investment; as prescribed by the Trustee Investments Act Cap. T22 of the Laws of the Federation of Nigeria 2004 or any other relevant statute; and
- (e) in connection with carrying out its functions under this Act (PIB, 2008).

Power to Accept Grants

56. The Inspectorate may accept grants of money or other property upon such terms and conditions, if any, as may be specified by the person or organisation making the grant, provided such grants are not inconsistent with the objectives and functions of the Inspectorate under this Act (PIB, 2008).

Borrowing Powers

57. The Inspectorate may, with the consent of, or in accordance with the general authority given by the Minister of Finance, borrow such sums of money as the Inspectorate may require in the exercise of its functions under this Act or its subsidiary legislation (PIB, 2008).

Annual Budget

58. The annual budget of the Inspectorate shall be approved by the Governing Board.

Account and Audit

59. The Inspectorate shall keep proper accounts of its income and expenditure in respect of each year and shall cause its accounts to be audited within six months after

the end of each year by auditors appointed in accordance with guidelines published by the Auditor-General of the Federation (PIB, 2008).

Mid-year and Annual Reports

60. (1) The Inspectorate shall submit to the National Assembly and the President a mid-year report of its operations and finances not later than 31st July of each year and an annual report of its operations, performance and audited financial report of the preceding year not later than 31st July of the following year.

(2) A summary of the annual report and audited financial report of the Inspectorate shall be published in not less than three widely circulating newspapers in every geo-political zone of the country for public notice not later than 31st of July of each year (PIB, 2008).

Restrictions on Legal Proceedings

61. (1) Court processes, proceedings or suits, whether civil or criminal, for and against the Inspectorates shall be attended to and handled by the Inspectorate, except where it is otherwise provided by any enactment in force that empowers the Attorney-General of the Federation to direct the said court process, proceeding or suit.

(2) Any suit or proceedings against the Inspectorate, a member of the Governing Board or any employee of the Inspectorate for any act, omission or default in respect of its functions and powers under this Act or any other enactment shall be brought within twelve months after the act, neglect or default complained of or in the case of a

continuance of damage or injury, within twelve months after such damage or injury may have ceased.

(3) No suit shall commence against the Inspectorate before the expiration of a period of one month after written notice of intention to commence the suit shall have been served upon the Inspectorate by the intending plaintiff or his agent.

(4) The notice shall clearly and explicitly state:

(a) the cause of action;

(b) the particulars of the claim;

(c) the name, place of abode and address for service of the intending plaintiff; and

(d) the relief which is being claimed (PIB, 2008).



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Service of Documents

62. The notice referred to in section 61(2) of this Act and any other process required or authorized to be served upon the Inspectorate under the provisions of this Act or any other enactment may be served by:

(a) delivering the same to the Director General or any other principal officer of the Inspectorate; or

(b) sending it by registered post addressed to the Director General at the head office of the Inspectorate (PIB, 2008).

Special Powers

63. The Inspectorate shall have power to investigate any person or organisation in relation to any of its functions or powers under this Act and in order to ascertain any violation of the provisions of this Act (PIB, 2008).

Special Units

64. (1) For the effective conduct of its functions the Inspectorate shall have the following special units:

- (a) Investigation Unit; and
- (b) Prosecution Unit.

(2) Notwithstanding the provisions of subsection (1) of this section, the Inspectorate may set up technical committees to assist it in the performance of its functions under this Act (PIB, 2008).

Duties of the Special Units

65. (1) The Investigation Unit shall, while ensuring that due process is followed:

- (a) investigate and prosecute offences under this Act;
- (b) collaborate with other government agencies and persons in relation to the detection or prosecution of offences under this Act;

(c) maintain surveillance on oil and gas installations, premises and vessels where it has reason to believe that illegal petroleum operations are going on;

(d) have power to search, seize, detain and recommend for prosecution, any person suspected to have engaged or be engaged in illegal activities in relation to petroleum or any petroleum product or in relation to any provision of this Act or any other enactment administered or enforced by the Inspectorate.

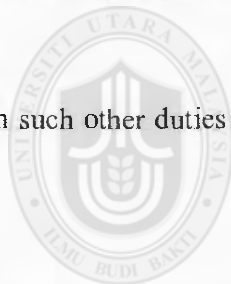
(2) The Prosecution Unit shall:

(a) prosecute offenders under this Act;

(b) support the Investigation Unit with legal advice and assistance where required;

(c) conduct such legal proceedings as may be necessary towards the enforcement of this Act;

(d) perform such other duties as the Inspectorate may refer to it from time to time (PIB, 2008).



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Power of Search and Arrest with Warrant

66. For the purposes of this Act an officer of the Investigation Unit shall with a warrant obtained from a Federal High Court judge:

(a) enter and search any premises or carrier including vehicles or any other instrumentalities whatsoever which he has reason to believe is connected with the commission of an offence;

(b) arrest any person whom he reasonably believes to have committed an offence in respect of matters under the authority of the Inspectorate;

(c) seize any item or substance which he reasonably believes to have been used in the commission of an offence under this Act (PIB, 2008).

Indemnity of Governing Board and Employees

67. (1) Every member of the Governing Board and every employee of the Inspectorate shall be indemnified out of the assets of the Inspectorate against any liability incurred in defending any proceeding against the Inspectorate, whether civil or criminal, if such proceedings are brought against the person in his or her capacity as a member of the Governing Board or employee.

(2) Notwithstanding the provisions of subsection (1) of this section the Inspectorate shall not indemnify any member of the Governing Board or employee of the Inspectorate for any liability incurred as a result of the wilful negligence of the member or employee, as the case may be (PIB, 2008).

Power to Resolve Disputes

68. (1) The Inspectorate shall have the power to resolve disputes between persons who are subject to this Chapter and between any such persons and other persons regarding any matter under this Chapter with the exception of matters:

- (a) regulated by the Authority; or
- (b) specifically and primarily governed by any other enactment in force and regulated by any other organ established for that purpose.

(2) No dispute shall be referred to the Inspectorate by any person unless an attempt has been made by the parties concerned to resolve the dispute through negotiation.

(3) The Inspectorate shall convene to resolve a dispute if it is satisfied that:

(a) an agreement may not be reached, or will not be reached between the parties to the dispute within a reasonable time.

(b) the notification of the dispute is not trivial, frivolous, or vexatious; and

(c) the resolution of the dispute would promote the objectives of this Act and any subsidiary legislation.

(4) If one of the parties to the dispute has provided an undertaking that is relevant to the subject matter of the dispute and the Inspectorate, and has registered the undertaking, the parties may adopt the conditions of the undertaking for the purposes of resolving the dispute (PIB, 2008).

Notification of disputes

69.(1) Where a party to a dispute in respect of a matter regulated by the Inspectorate so desires, that party shall write to notify the Inspectorate as to the existence of the dispute and to request the intervention of the Inspectorate.

(2) The Inspectorate may intervene to resolve a dispute under this Act only if it is notified in writing of the dispute and requested by either or both parties to intervene.

(3) The Inspectorate shall publish guidelines setting out the principles and procedures that it may take into account in resolving disputes or a class of disputes under this chapter.

(4) Upon receipt of the notification of the dispute referred to in subsection (1) of this section, the Inspectorate shall, as soon as practicable, convene to resolve the dispute (PIB, 2008).

Resolution of Disputes

70. (1) In carrying out its functions under subsection (1) of this Section, the Inspectorate :

(a) shall always be guided by the objective of establishing a sustained dispute resolution process that is fair, just, economical and effective;

(b) shall at all times, endeavour to act according to the ethics of justice and the merits of each case; and

(c) shall not be bound by technicalities, legal form or rules of evidence.

(2) The terms and conditions of any determination of the Inspectorate under this Act shall be in writing and shall state the Inspectorate's reasons and the Inspectorate shall provide the parties to the dispute with a copy of its decision as soon as practicable.

(3) The costs of the Inspectorate in making a determination shall be paid in accordance with terms and conditions agreed by the parties prior to the commencement of the dispute resolution process (PIB, 2008).

Arbitration and Mediation

71. (1) For the purpose of the resolution of disputes the Inspectorate may act either as an arbitrator or mediator, except in disputes in which the Inspectorate is a party.

- (2) When acting as an arbitrator the Inspectorate shall issue a decision on the matter.
- (3) The Inspectorate may if it so wishes, appoint a person acceptable to all the parties to act as mediator or arbitrator on its behalf in respect of any dispute before it and the decision of the arbitrator shall be regarded as being the decision of the Inspectorate.
- (4) Any decision of the Inspectorate shall be binding on the parties to the dispute.
- (5) In disputes in which the Inspectorate is a party, the relevant provisions of the Arbitration and Conciliation Act, Cap A19 of the Laws of the Federation of Nigeria 2004 shall apply (PIB, 2008).

Judicial Review

72. (1) An aggrieved person shall have a right of appeal to the Federal High Court for a judicial review of questions of law and process pertaining to a determination or other action of the Inspectorate.
- (2) Any determination or other action of the Inspectorate, that is the subject matter of the application for judicial review shall subsist and remain binding and valid until it is expressly reversed in a final judgement or order of the Federal High Court (PIB, 2008).

Register of Decisions

- 73.(1) The Inspectorate shall keep a register containing all decisions it makes for the purpose of the resolution of disputes.
- (2) The register shall contain:
- (a) the names of the parties to the dispute;

(b) a general description of the matter pertaining to the decision; and

(c) the date of the decision (PIB, 2008).

Enforcement of Decisions

74.(1) A decision made by the Inspectorate under this chapter may be enforced by the Court as if the decision is a judgement of such Court.

(2) No certificate under subsection (1) of this Section is required if the enforcement action is taken by the Inspectorate under this Section (PIB, 2008).

1.3 Establishment of the National Petroleum Assets Management Agency

113. (1) There is hereby established a National Petroleum Assets Management Agency (“the Agency”) which shall be a body corporate with perpetual succession and a common seal.

(2) The Agency shall have power to acquire, hold and dispose of property, sue and be sued in its own name and subject to this Act perform all acts that corporate bodies may perform by law (PIB, 2008).

Objects

114. (1) The Agency shall be in charge of monitoring and approving costs in the upstream petroleum industry of Nigeria with the objective of maximising the total revenue accruing to the government from the upstream petroleum industry in Nigeria.

(2) The Agency shall ensure that all operations in the upstream petroleum industry achieve the objective of realising or achieving optimal financial returns (PIB, 2008).

Functions

115. The functions of the Agency shall be:

(a) to approve commercial and cost elements of all field development programmes in the upstream industry in Nigeria.

(b) to superintend and oversee the activities of all operators to which this chapter applies in the upstream petroleum industry in all areas pertaining to cost control and in pursuance of this, to approve commercial aspects of work programmes and field development plans for all operators in the upstream oil industry, including the National Oil Company.

(c) through the monitoring of costs, encourage and stimulate the activities of all operators in the upstream petroleum industry so as to:

(i) ensure that national reserve objectives are maintained;

(ii) increase national production capacity in accordance with targets set by the Directorate;

(iii) promote increased Nigerian content by utilising indigenous technological capabilities in engineering and construction in all areas of the Nigerian petroleum industry;

(iv) promote technology transfer into the country;

(v) promote the increased participation of Nigerians in accordance with targets set by the Directorate;

- (vi) facilitate and promote harmony and maximum cooperation between operators in the upstream petroleum industry and the communities residing or working in areas where petroleum is produced.
- (d) to provide regular cost information to the Directorate for the purpose of allocating petroleum quotas to cost effective operators.
- (e) to develop cost benchmarks for the evaluation of opportunities in the upstream petroleum industry.
- (e) to receive and dispose of petroleum accruing to the federal government, which is produced under production sharing contracts, consisting of tax oil and royalty oil but not profit oil;
- (f) to liaise with the Federal Inland Revenue Service on cost deductions under the relevant provisions of this Act and any other law in force (PIB, 2008).

Powers of the Agency

116. The Agency shall have the power to:

- (a) enforce the provisions of this Chapter and any regulations made thereunder;
- (b) enter into contracts with any person which in the opinion of the Agency will facilitate the discharge or exercise of its duties or powers under this Chapter;
- (c) do such other things as are necessary and expedient for the effective and full discharge of its functions under this Chapter (PIB, 2008).

Governing Board of the Agency

117. (1) There is established for the Agency a Governing Board ("the Board"), which shall consist of:

- (a) a non executive Chairman appointed by the President;
- (b) one representative of the National Petroleum Directorate;
- (c) one representative of the Nigerian Petroleum Inspectorate;
- (d) one representative of the Federal Inland Revenue Service;
- (e) five persons to be appointed by the President on the recommendation of the Minister being persons who by reason of their ability, experience and specialized knowledge of the petroleum industry are capable of making useful contributions to the work of the Agency;
- (f) three Directors who are full time staff of the Agency, to be appointed to the Board by the President; and
- (g) the Director-General of the Agency;

(2) The persons appointed pursuant to subsections (a) (e) and (f) of this section shall hold their membership of the Agency for four years subject to re-appointment for another period of four years only on such terms and conditions as may be specified in their letters of appointment.

(3) The proceedings of the Board of the Agency and other ancillary matters shall be regulated by the Fourth schedule to this Act (PIB, 2008).

Functions and Remuneration

118. (1) The Board shall ensure that the Agency carries into effect its statutory functions as contained in this Act.

(2) Members of the Board shall be paid from the funds of the Agency:

(a) such remuneration as the Agency may from time to time determine;

(b) any such allowances as the Agency may determine from time to time to meet any reasonable expenses incurred by such members in connection with the business of the Agency.

(3) In determining remunerations and allowances in accordance with subsection (2) of this section, the Agency shall have due regard to:

(a) the specialised nature of the work to be performed by the Agency;

(b) the need to ensure the financial self-sufficiency of the Agency;

(c) allowances paid in the private sector to board members with equivalent responsibilities, expertise and skills (PIB, 2008).

The Director-General of the Agency

119. (1) There shall be an officer of the Agency to be known as the Director-General, who shall be appointed by the President and shall be;

(a) a person with cognate knowledge and experience in matters pertaining to the petroleum industry; and

(b) the chief executive and accounting officer of the Agency and responsible for running the day-to-day affairs of the Agency.

(2) The Director-General shall have the status of a permanent secretary of the civil service of the Federal Republic of Nigeria (PIB, 2008).

Tenure, Remuneration and Conditions of Service of the Director-General

120. (1) The Director-General shall hold office for five years in the first instance, which may be renewed for another period of five years only on such terms and conditions as may be specified in his or her letter of appointment.

(2) The remuneration and conditions of service of the Director-General shall be at a level sufficient to attract qualified professionals within the petroleum industry (PIB, 2008).

Disqualification

121. No person shall be appointed as Director-General or member of the Board unless he or she:

- (a) is a Nigerian citizen;
- (b) has not, in accordance with the terms of laws in force in any country within which he or she has been working or residing:
 - i. been adjudged or declared bankrupt or insolvent;
 - ii. made an assignment to, or arrangement or composition with his creditors which has not been rescinded or set aside;
 - iii. been declared to be of unsound mind;
 - iv. been convicted of an offence involving fraud or dishonesty; or

v. been banned or disqualified by a competent authority from carrying out any assignment, responsibility or function in his or her professional capacity.

(c) has not been disqualified by the Securities Exchange Commission from holding a board appointment in any public company (PIB, 2008).

Vacation of Office and Termination

122. The office of the Director General or a member of the Board shall become vacant:

a) three months after giving notice in writing to the President of his or her resignation;

or

b) if he or she becomes disqualified under the provisions of section 121 of this Act;

c) on the expiration of his or her appointment.

123. The President shall require the Director General or a member of the Board to vacate his or her office if he or she:

a) has committed an act of gross misconduct;

b) has failed to comply with the terms and conditions of his or her office as fixed by this Act;

c) suffers from any mental, physical or legal disability which renders him or her incapable of executing his or her duties efficiently as a member;

124. Where there is a vacancy on the Board, the candidate to fill the said vacancy shall be appointed in accordance with the provisions of sections 117 and 121 of this chapter (PIB, 2008).

Secretary

125. (1) The Agency shall appoint a Secretary who shall keep the corporate records and common seal of the Agency and undertake such other functions as the Director General and the Agency may from time to time direct.

(2) The Secretary shall be a lawyer with a minimum of 10 years post qualification experience (PIB, 2008).

Other staff

126. (1) The Agency may, from time to time, appoint such professionals experienced in the petroleum industry and other persons as staff of the Agency to assist it in the performance of its functions under this Act.

(2) Staff of the Agency appointed under subsection (1) of this section shall be appointed on such terms and conditions as the Agency may prescribe under guidelines to be issued by the Minister.

(3) Staff of the Agency shall be public officers as defined in the 1999 Constitution of the Federal Republic of Nigeria.

(4) For the purpose of this section, appointment shall include secondment, transfer and contract appointments (PIB, 2008).

Remuneration

127. The remuneration, tenure and conditions of service of the staff of the Agency shall be at a level sufficient to attract qualified professionals within the petroleum industry and shall take into account:

- i. the specialised nature of work to be performed by the staff;
- ii. the need to ensure financial self-sufficiency of the Agency; and
- iii. the salaries paid in the private sector to individuals with equivalent responsibilities, expertise and skills (PIB, 2008).

Pensions

128. (1) Service in the Agency shall be approved service for the purpose of the Pensions Reform Act Cap. P4 Laws of the Federation of Nigeria 2004 and accordingly, officers and other persons employed in the Agency shall be entitled to pensions, gratuity and other benefits as prescribed in the Pensions Reform Act.

(2) Subsection (1) of this section does not prohibit the Agency from appointing a person to any office on terms that preclude the grant of a pension, gratuity or other retirement benefits in respect of that office.

(3) In the application of the Pensions Reform Act to the Agency, any power exercisable under the Act by a Minister or other authority of the Government of the Federation, other than the power to make regulations is hereby vested in and shall be exercisable by the Agency and not by any other person or authority (PIB, 2008).

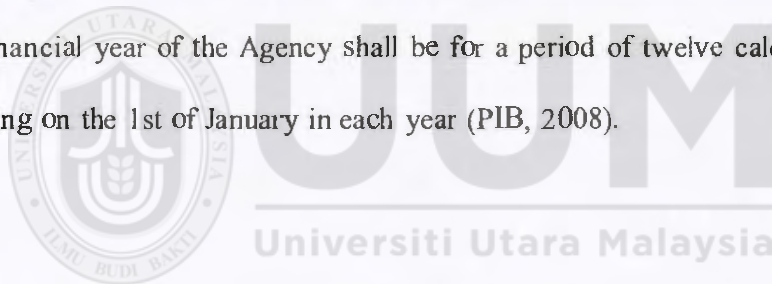
Financial Provisions

129. (1) The Agency shall, not later than September in each year, present to the Minister, a budget showing the proposed expenditure of the Agency in respect of the next succeeding financial year insofar as the amount so budgeted does not exceed the total amount accruable to the Agency from its sources of funding in any financial year.

(2) The Agency may during a financial year prepare and present to the Minister, a supplementary budget relating to expenditures which were inadequately represented in the annual budget due to unforeseen circumstances.

(3) The Agency may vary a budget prepared under this section, insofar as such variation does not increase the total amount of the expenditure provided for in the original budget.

(4) The financial year of the Agency shall be for a period of twelve calendar months commencing on the 1st of January in each year (PIB, 2008).



Funds of the Agency

130. (1) The Agency shall establish and maintain a fund which shall consist of:

(a) such monies as may be appropriated to the Agency from time to time by the National Assembly for the purposes of this Act;

(b) a portion of fiscalised crude and fiscalised natural gas, to be paid to the Agency by the Directorate in accordance with the budget of the Agency and the provisions of section 28 of this Act; and

(c) fees and charges paid in respect of any services performed by the Agency including administrative charges and other services that the Agency may render in the course of the discharge of its functions , such fees and charges to be decided in accordance with regulations issues by the Minister in accordance with the terms of this Act.

(2) The Agency shall apply the proceeds of the fund established pursuant to subsection (1) of this section:

(a) to meet the administration and operating costs of the Agency;

(b) to the payment of:

i) salaries;

ii) fees or other remunerations or allowances; and

iii) pensions, gratuities and other retiring benefits payable to members of the Agency or its employees;

(c) for the maintenance of property acquired by, or vested in the Agency;

(d) for purposes of investment; as prescribed by the Trustee Investments Act CAP T 22 Laws of the Federation of Nigeria 2004, or any other relevant statute; and

(e) in connection with carrying out its functions under this Act (PIB, 2008).

Power to Accept Grants

131. (1) The Agency may accept grants of money or other property upon such terms and conditions, if any, as may be specified by the person or organisation making the grants provided such grants are not inconsistent with the objectives and functions of the Agency under this Act.

(2) Nothing in subsection (1) of this section or in this Act shall be construed to allow the Director-General and other staff of the Agency to accept grants for their personal use (PIB, 2008).

Borrowing powers

132. The Agency may, with the consent of the Minister of Finance and the approval of the Governing Board, borrow money required in the exercise of its functions on such terms and conditions as the Governing Board, may prescribe (PIB, 2008).

Accounts and Audits

133. The Agency shall keep proper accounts of its income and expenditure in respect of each year and shall cause its accounts to be audited within six months after the end of each year by auditors appointed in accordance with guidelines published by the Auditor-General of the Federation (PIB, 2008).

Annual Reports

134. The Agency shall prepare and submit to the Minister not later than the month of July in each year a report in such form as the Minister may direct, on the activities of the Agency during the immediately preceding year, and shall include in such report a copy of the audited accounts of the Agency for the year and the Auditor-General's report thereon (PIB, 2008).

Legal Proceedings

135. (1) No suit shall be commenced against the Agency before the expiration of a period of one month after written notice of intention to commence the suit shall have been served on the Agency by the intending plaintiff or his agent.

(2) The notice shall clearly state the:

(a) cause of action;

(b) particulars of the claim;

(c) name, place of abode and address for service of the intending plaintiff; and

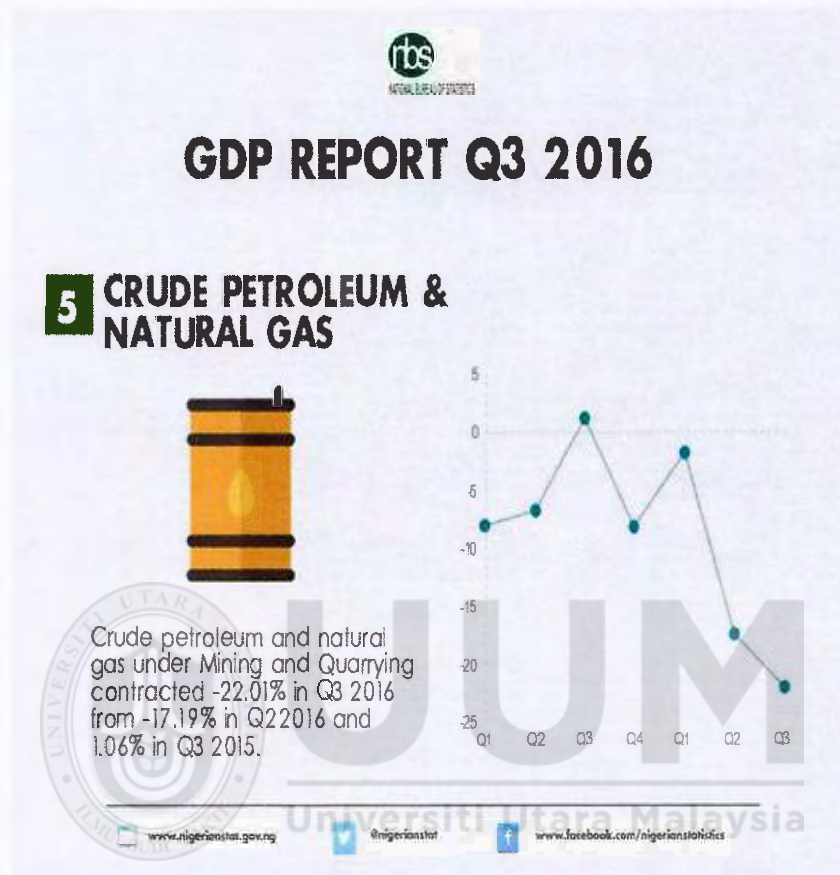
(d) relief claimed by the plaintiff.

(3) The notice referred to in subsection (1) of this section and any summons, notice or other document required or authorised to be served on the Agency under the provisions of this Act or any other enactment or law, may be served by:

(a) delivering the same to the Director General or any other principal officer of the Agency; or

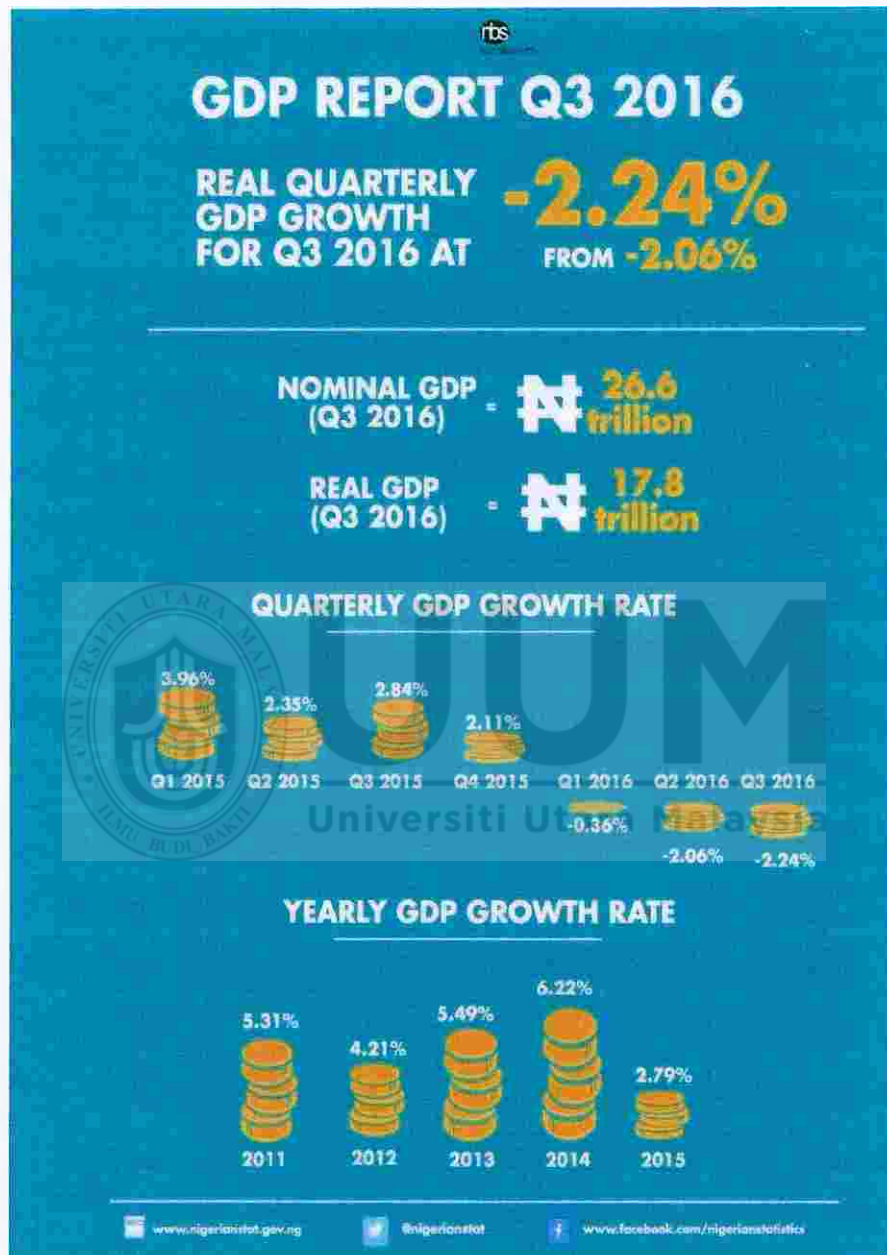
(b) sending it by registered post addressed to the Director General at the head office of the Agency (PIB, 2008).

APPENDIX IV



Source: National Bureau of Statistics (NBS)

APPENDIXV



Source: National Bureau of Statistics (NBS)